

The New York Times

WASHINGTON BUREAU
1627 I STREET, N.W.
WASHINGTON, D.C. 20006
(202) 862-0300

August 25, 2011

Representative Darrell Issa
House of Representatives
2347 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Issa,

We've reviewed in detail your office's request for a retraction of our Aug. 15 story. Each day, we strive to present as comprehensive and accurate a report as possible and to correct factual mistakes when they occur. As noted below, we plan to correct two errors that occurred as a result of inaccurate public records: in one case, your own foundation's inaccurate filing to the Internal Revenue Service; in the other, the San Diego county assessor's inaccurate records on the West Vista Way purchase.

The article was carefully reported, written, and edited, and we stand by the story both in its broad thrust and, except as noted, in its particular details. We do not believe a retraction is warranted.

Your outside business interests are both substantial and complex, and our reporting on an issue of clear public importance was made more difficult by your office's refusal to respond to, or even acknowledge three weeks' worth of requests for comment (including questions about several of the specific issues you have raised). Had your office responded, some of the issues you have raised might have been addressed ahead of time.

To address the three central claims in a letter from Frederick Hill, writing on your behalf:

- *"Directed Electronics is, in fact, not a supplier to Toyota."*

DEI has produced a number of products in partnership and/or licensing agreements with Toyota and for use specifically in its automobiles, including alarm systems, a "remote start interface for Toyota/Lexus," an "encrypted key data transponder bypass kit," an iPod adapter, and a Sirius satellite adapter for use "with select Toyota, Lexus or Scion vehicles."

Toyota itself has also acknowledged that its dealers may make DEI products available to customers on an aftermarket basis.

This issue might be viewed as a semantic debate over the definition of a "supplier," were it not for your own statements. In an interview you did with Don Imus the day after the Toyota hearing in February 2010, he asked whether you had failed to ask harder questions of Mr. Toyoda, the company's chief executive, because of your "extensive, complicated ties" with the auto maker. <http://www.youtube.com/watch?v=G2SFARgxvE>

As you did in other interviews, you readily acknowledged your past ties to Toyota, identified yourself as a "supplier" three times, and suggested that your sometimes contentious relationship with Toyota over the pricing of DEI's products made you want to go harder, not easier, on the company during the recall investigation.

“If you ever met anyone that was a supplier to the auto companies, we’ve wanted to ask them harder questions and be in control for a long time,” you said in the Imus interview. “Toyota probably got a harder time by having an automobile supplier sitting up there on the dais saying, ‘hold it, I’m not letting you off the hook now.’”

“**I was an auto supplier,**” you continued. (*emphasis added*). “There’s nothing more hypocritical than an auto company saying ‘I want a price cut.’ You give them the price cut; the cars come out 20 percent more expensive the next year. Trust me, we all wanted—**that was the question I couldn’t ask (Chairman Toyoda) is why is it every year I had to give you price reductions to all my auto company customers and every year you have price increases.**” (*emphasis added*)

(You also insisted in the interview that you had “no financial connection at all to the auto companies,” a misleading assertion given the extensive holdings in DEI held by your family foundation that you control as trustee, as well as the millions in rentals your company has collected from DEI for its headquarters in Vista, Calif.)

- “The ‘1,900 percent’ profit allegation is, again, based on reporting errors by the New York Times. This is (*sic*) assertion is based on an incorrect form obtained by the Times.”

As noted above, the “incorrect form” you cite was filed by your own foundation with the I.R.S. (<http://bit.ly/q6ERUk>). We accurately reported the data found on page 16 of the I.R.S. filing. We are aware of no addendum or subsequent filing that would have corrected what you present as errors in the filing, and as I’m sure you’re aware, non-profit foundations are required to attest to the accuracy of their filings.

While we appreciate your sending us a portion of the Merrill Lynch “trade confirmation” from April 2007, that document raises additional questions. It does not include three of the six pages that Merrill Lynch faxed to your wife that day. The material also does not show the sale price or gross sale for the 18,789 shares purchased on April 4, 2007, nor does it show the purchase or sale of another 17,636 shares of the AIM International Small Company Fund that the foundation reported purchasing the next month and selling the same day as the earlier shares.

As you know, our reporter, Eric Lichtblau, specifically inquired about this transaction in his detailed e-mail to your office on Aug. 10, when he asked about “the foundation’s stock and mutual fund investments, including investments in an AIM small company mutual fund that produced a rate of return of nearly 1,900% on a \$375,000 sale in 2008, according to the foundation’s Form 990 filings.”

We received no response.

While we intend to correct the foundation’s inaccurate report on the sale price, we would like to find out how the error occurred three different ways on the Form 990, what the final sales figures were for all the AIM shares, and whether the foundation intends to correct its filing with the I.R.S.

We would also like authorization to speak with Merrill Lynch about the AIM issue to clear it up.

- “The property in question was not purchased for \$10.3 million.”

The San Diego county assessor, Ernest Dronenburg, has acknowledged to us that the assessor’s office’s own records were in error in listing the \$10.3 million sales price for Viper L.L.C.’s

purchase of 2067 West Vista Way. The \$10.3 million figure was listed as the sales price in Nexis-Lexis and other real estate databases as a result of the error, and Mr. Lichtblau confirmed the \$10.3 million sales figure and the \$16.6 million reassessment with the deputy assessor in a phone interview prior to publication of our article. However, Mr. Dronenberg says that the internal error was a result of a misreading of the transaction and of the \$6 million loan Viper assumed from the seller. Mr. Dronenberg told us that the assessor's office plans to correct the internal data by the end of this week and, as noted above, we intend to correct it in our own pages as well.

You also raise a number of peripheral points about alleged inaccuracies:

- *The reporter "refused to share the contact information of his editors for a discussion of errors..."*

When Mr. Hill first e-mailed Mr. Lichtblau on the morning of Aug. 15 with your "request for corrections," he responded promptly that morning (notwithstanding the fact that his repeated e-mails to Ms. Watkins, Mr. Hill, and Mr. Neugebauer, all of your staff, had gone unanswered for weeks). The typo in the story regarding the value of the separate "multimillion dollar" companies was corrected online within an hour. (Despite the typo, the correct valuation of the separate L.L.C.s, "valued at up to a total of \$80 million," was reported elsewhere in the story.)

Mr. Lichtblau responded promptly to Mr. Hill's follow-up e-mail about the disputed Toyota-DEI relationship, pointing him to the Imus interview, and he received no further contact from Mr. Hill. By that point, Mr. Hill had already begun reaching out to numerous reporters and others inside and outside of The Times to press your complaints, and Mr. Lichtblau heard nothing further from him.

- *The golf course view.*

It does appear that parts of the building, one of the tallest in the area, does in fact look out on the Shadowridge Country Club golf course less than a quarter-mile to the southwest. The realty agency itself has advertised the "direct views to golf driving range." (<http://bit.ly/qibQq8>)

While we appreciate the partial video tour of your office views, the piece never addressed one way or the other whether your congressional office has a view of the golf course. The language of the lead paragraph ("Here on the third floor of a gleaming office building overlooking a golf course in the rugged foothills north of San Diego, the entrepreneur...") clearly is referring to the building, not your congressional office. In fact, the congressional office is not even introduced until the next paragraph.

- *The discussion of earmarks on West Vista Way "fails to mention that at the time he sought funding for his district he did not own this property."*

As the story noted, you secured two earmarks for the road widening — both before and after Vista bought the medical office plaza. You also unsuccessfully sought millions more for the project.

- *The story 'fails to note that Rep. Issa's transactions with Merrill Lynch have been appropriately disclosed in his annual ethics filing.'*

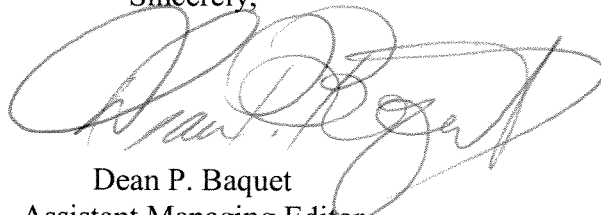
The story does in fact make repeated reference to your annual disclosure reports as the source of financial data about his assets and investments.

- *"Mr. Issa is keenly interested in Goldman's performance." This statement lacks a basis in fact as Rep. Issa does not have investments dependent on Goldman Sachs (sic) performance."*

Your interest in Goldman's performance is borne out by, among other factors, your extensive holdings in its mutual funds, your investigation into the lawsuit brought against the firm by the Securities and Exchange Commission in 2008, and the concerns raised in your July 2011 letter about the impact on Goldman of capital requirements. As was noted in a follow-up column by one of our news columnists, Floyd Norris, Goldman Sachs also underwrote DEI's initial I.P.O., another indication of the ties between you and the firm.

I hope this answers your concerns. Finally, I'd like to say that it is troubling to see your office using the letterhead and imprimatur of a powerful congressional committee to wage personal and meritless attacks on a reporter and a news organization.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dean P. Baquet", written in a cursive, flowing style.

Dean P. Baquet
Assistant Managing Editor
Washington Bureau Chief

cc: Arthur S. Brisbane, Public Editor